

Message Text

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PAGE 01 ANKARA 00522 211415Z

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AMEMBASSY ATHENS

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AMCONSUL ADANA

AMCONSUL ISTANBUL

AMCONSUL IZMIR

USMISSION USNATO

DIRNSA WASHDC

USNMR SHAPE

CINCEUR

USDOCOSOUTH NAPLES

CINCUSAFE

CINCUSAREUR

CINCUSNAVEUR LONDON

C O N F I D E N T I A L ANKARA 0522

EXDIS

MILITARY ADEES HANDLE AS SPECAT EXCLUSIVE

E.O. 11652: GDS

TAGS: MASS, MARR, PFOR, TU

SUBJECT: TURKISH BASE NEGOTIATIONS: TAX RELIEF AGREEMENT

1. DURING NEGOTIATIONS TO DATE, GOT TEAM HAS NOT BEEN WILLING TO INCLUDE REFERENCE TO TAX RELIEF PROVISIONS IN THE DEFENSE AGREEMENT ITSELF BUT HAS HELD OUT THE POSSIBILITY OF NEGOTIATING A SEPARATE TAX RELIEF AGREEMENT. NEGOTIATIONS FOGRA NEW TAX RELIEF AGREEMENT AFTER COMPLETION OF CURRENT TALKS, HOWEVER, NO DOUBT WOULD BE PROTRACTED. AS IT WOULD NOT BE FEASIBLE TO REOPEN THE U.S. INSTALLATIONS IN TURKEY WITHOUT
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PAGE 02 ANKARA 00522 211415Z

TAX RELIEF, BUT UNDESIRABLE TO DELAY THEIR REOPENING

UNTIL COMPLETING NEGOTIATIONS OF ANEW TAX RELIEF AGREEMENT, THE U.S. WORKING TEAM HAS ATTEMPTED TO ARRIVE AT A FORMULATION WHICH WOULD COVER USG NEEDS AND MEETTAOME OF TURKS POLITICAL PROBLEMS. ONE POSSIBILITY MIGHT BE A FORMAL STATEMENT BY THE GOT AS FOLLOWS:

BEGIN TEXT:

PENDING NEGOTIATIONS OF A TAX RELIEF AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND T Z GOVERNMENT OF THE REPUBLIC OF TURKEY, RELIEF WILL BE GRANTED, WITH RESPECT TO TURKISH TAXATION SO FAR AS IT MAY AFFECT EXPENDITURES BY OR ON BEHALF OF THE UNITED STATES FOR COMMON DEFENSE BY THE TURKISH GOVERNMENT FROM TURKISH TAXES, SURTAXES, DUTIES, FEES AND CHARGES, TO THE SAME EXTENT AS ENUMERATED IN ARTICLE 9 OF THE AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF TURKEY AND THE SUPREME ALLIED COMMANDER EUROPE AND ITS ENCLOSED ANNEX, DATED 22 FEBRUARY 1956.

END TEXT.

2. THE ADVANTAGES OF THIS LANGUAGE ARE THAT IT REFERS TO A NATO DOCUMENT WHICH IS POLITICALLY ACCEPTABLE TO THE GOT AND AVOIDS REFERENCE TO THE 1954 TAX RELIEF AGREEMENT WHICH HAS BEEN ABROGATED BY THE GOT BUT WHICH WE MAINTAIN IS STILL VALID. WHILE THE RANGE OF TAX EXEMPTIONS IN THE ABOVE FORMULATION IS SLIGHTLY NARROWER THAN THAT CONTAINED IN THE 1954 AGREEMENT, IT COVERS ALL THOSE WE BELIEVE ESSENTIAL TO CONDUCTING OUR OPERATIONS HERE.

3. A STATEMENT CONTAINING THE LANGUAGE PROPOSED ABOVE COULD BE HANDLED IN ONE OF THREE WAYS:

A) IT COULD APPEAR IN THE DEFENSE AGREEMENT ITSELF.

B) IT COULD BE PART OF AN EXCHANGE OF NOTES.

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PAGE 03 ANKARA 00522 211415Z

C) IT COULD BE ISSUED UNILATERALLY BY THE GOT IN DIPLOMATIC NOTE SIMULTANEOUSLY WITH THE SIGNING OF THE NEW DEFENSE AGREEMENT.

4. OF THE THREE OPTIONS ABOVE, THE U.S. WORKING TEAM BELIEVES C COULD BE MADE VIABLE. ALTERNATIVES A AND B WOULD PROVIDE US WITH A BILATERAL AGREEMENT, WOULD IN OUR VIEW MEET U.S. NEEDS, BUT WOULD LIKELY BE

REJECTED IF PROPOSED TO THE TURKS BECAUSE EITHER
OF THESE COURSES WOULD ALSO REQUIRE UNANIMOUS CABINET
APPROVAL. ALTERNATIVE C AS IT STANDS FAILS TO MEET
U.S. REQUIREMENT FOR A BINDING COMMITMENT BY GOT
BUT MAY BE THE ONLY ALTERNATIVE OPEN TO US IF AGREE-
MENT ON THIS ISSUE IS TO BE REACHED BELOW THE
KISSINGER-CAGLAYANGIL LEVEL. WE THINK ALTERNA-
TIVE C IF WE CAN SELL IT TO THE TURKS, IS PREFERABLE TO
FORCING THE ISSUE TO THE HIGHEST LEVELS. TO MAKE THIS
ALTERNATIVE ACCEPTABLE TO U.S., HOWEVER, WE BELIEVE THE
TURKISH DECLARATION MUST BE ISSUED PRIOR TO SIGNING THE
DEFENSE AGREEMENT AND LANGUAGE INSURING THAT THIS STATUS WILL
PREVAIL UNTIL NEW TAX RELIEF PROCEDURES ARE MUTUALLY AGREED MUST
BE INCLUDED IN THE AGREEMENT. REQUEST WASHINGTON COMMENT.
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